FROM DEVASTATION TO SURVIVAL

It takes a real catastrophe to demonstrate whether a company's disaster recovery plans are effective or not

Liz Fisher

Take a good look around your office. Now imagine what would happen if a fire broke out tonight and gutted not only the office but the entire department. How much would you lose? Could your business survive?

Most companies have some sort of contingency plans for a major catastrophe but, inevitably, the only exhaustive test of how good those procedures are is a real disaster. And the automatic reaction to such a thought? 'It would never happen to me.'

It did happen to Bill Fairclough, chief accountant of Mercantile Credit. One evening in April a fire, probably caused by an electrical fault, broke out on the eighth floor of Churchill Plaza, Mercantile's plush head office in Basingstoke. More than 150 firemen fought the blaze, which was fanned by strong winds and took six hours to bring under control, but not before it had spread to the ninth and tenth floors.

'Pieces of burnt debris were found 30 miles away,' says Mr Fairclough. 'The blaze could be seen 15 miles away.' Even so he was not aware of the disaster until the next morning when Mercantile's MD finally contacted him as he drove to work. 'He had been ringing me every half hour from about 1.30am, but I had given him the wrong number,' he says. 'He told me what had happened. You don't expect to be told things like that at that time of the morning, so I said I would think about it and speak to him when I got in. Then I realised I didn't have an office to go to.'

While the structure of the building had held up well, the fire had completely gutted the eighth and ninth floors – the entire accounting department – and had seriously damaged the tenth. Every floor above the fire was smoke damaged and the tons of water poured into the building to fight the fire had caused considerable damage to almost every floor below. The following morning the entire area around the building was covered with debris, shattered glass and water, and the roads leading into the town itself were at a virtual standstill, with fire engines and emergency services blocking many routes.

'It looked absolutely devastating, like the aftermath of a bomb attack,' says Mr Fairclough. By this time the fire was out, although parts of the building were still smouldering, and the extent of the damage could be seen. 'I went up to the ninth floor, where my office was. It was quite an adventure because the centre of the floor was a mass of metal debris which we had to walk around, but once we got near the walls we were in trouble because all the windows had blown out.'

The department was open plan, with four or five enclosed offices, such as Mr Fairclough's, on each floor. With nothing to stop the spread of fire, the open plan area was completely devastated, filing cabinets and a drinks machine had melted in temperatures that reached 1,500 degrees and virtually nothing could be saved. The offices had fared a little better, provided the doors had been closed. 'My office door was closed, although when I first saw it I wasn't even going to bother looking because I didn't think anything could be salvaged from it. But it was surprising, once I took a closer look, how much could be saved, particularly from closed filing cabinets.'

Faced with devastation on such a large scale it was difficult to know where to begin the salvage operation. 'I had been on a course, funnily enough, on a similar subject and the advice then was to avoid making spur of the moment decisions which was a great temptation. From six o'clock that morning, for instance, we had been inundated with offers of new offices and it would have been very easy to accept one or two of them, only to regret it a few days later. So I sat down with a few colleagues and we thought carefully about what we were going to do.'

The first task was to contact all the staff.' We wanted to stop people coming who might have wanted to help but actually would have got in the way because there was nothing to do, the building was completely closed. But although I had a list of staff telephone numbers, I had left it in my office.' The fact that the building by this time was completely closed to everyone made life more difficult, but the staff were finally contacted. 'If we had been based in London it would have been much more difficult. Here we could stop someone in the street and ask him if he worked for Mercantile Credit, and even if he didn't, he invariably knew someone who did!'

The next step, while Mr Fairclough's staff prepared a trial balance for each section of the business, was to relocate as many staff as possible. Over half of the 70 staff were back in the building within a week, and the rest were spread around five sites in Basingstoke. The accounting department, consisting of about 90 people,

The eighth and ninth floors were completely gutted

ore than 150 firemen fought the blaze, which could be seen 15 miles away

rdest hit. About 10 people were transfer-d to a London office, and the rest have w moved into the Barclays Business ntre in the town. 'We were very lucky to part of the Barclays group and to be able just walk in here.' The staff will be moved ck as repairs are completed, but Mr Fair-ugh says he can't envisage his depart-nt returning for at least nine months.

The business of retrieving damaged docu-nts is a long and painstaking task. Water maged papers were put into a deep eze, separated and then cleaned in-idually. Smoke damaged material is re difficult to clean, although there are panies that specialise in such work.

Although the core of Mercantile's records d business was stored on a mainframe k-up computer, that did not prevent a nificant number of records and essential rmation going up in smoke. Every e piece of software in the department was not stored on the mainframe was , including the entire expenses system, was every personal computer. Back-up cedures were adhered to, but since t of the back-up disks, except essential , were stored at the office, they ended as puddles of plastic.

Every little change and modification to business was added around the main-e, rather than messing around with the al program, which makes it very diffi-to get to the end product after a fire mainframe as quickly as possible.'

As well as the computer software, almost every piece of paper was lost, except a few files from the cabinet in Mr Fairclough's offices and some valuable documents kept in fire-proof safes – but even then there were problems. 'The lists of what was in the safes were burnt and the keys had melted, so we had to break open the safes, then check every banker's draft and account for everything.'

Mr Fairclough is the first to admit that if the business had not had disaster plans or if it had not had the support of a parent company, it probably would not have survived such a catastrophe. As it happened, Mercantile not only survived what in any-one's book was a potentially major financial disaster, but it managed to keep operating after only an insignificant break in its ongoing business.

'We prepared an operational report very quickly saying what we could and could not do, and the management services division appeared almost at once with an amazing display of software and hardware. I'd never seen such teamwork in my life.' Fears that customers might read about the fire and begin to delay payments proved largely groundless since the debt collection routine was unaffected, although there were a number of calls from concerned customers waiting for loans. The clearing system was held up for just three days and

'There are no frills, no management reporting and no detailed reporting to Barclays, although we are providing summarised data,' says Mr Fairclough. 'All the things normally regarded as indispensable, like management packs and internal reporting, have gone out of the window and yet the business has droned on quite comfortably. In fact, it makes me think, just what do you need to run a business? Maybe accountants in general have reached a degree of sophistication that can be shed quite easily and a lot of the costs incurred could be shelved overnight.'

In terms of the history of the company, the fire could not possibly have happened at a worse time. The Mercantile Group's profits plunged from £51m in 1989 to £2m last year, and as part of a cost-cutting exercise, the company was in the final stages of selling its third party motor loans business in a deal worth between £200m and £300m. It was also about to close 22 branches and was terminating a long-standing relationship with the French motor company PSA. 'Major upheaval as it was, the fire was only a minor part of the much larger events that were going on at the same time,' says Mr Fairclough. 'In fact you could say it was the icing on the cake. During the sale someone would ask for more information and I would reach for my filing cabinet to get it, only to realise I didn't have a filing cabinet any more.' Contracts on the indirect book sale were exchanged, on schedule, a month to the day after the fire.

The insurance claim for the Churchill Plaza is expected to be one the the largest of its type in the country. Negotiations are about to begin with the four insurance companies involved and there are a number of complex details to be sorted out. 'We don't know exactly what was burnt and what was lost in the chaos, and we have all the staff's personal losses to deal with too. Accounting for it all is a nightmare because if we don't know whether we are going to get the money for an item back, we can't know which account to put it in.'

It will be at least another two months before the financial impact of the fire is finally assessed. The company is getting back on its feet, but the fire has left it with a few bitter lessons. 'If you had asked me the night before the fire if our procedures were all right I would have said yes, and to a degree they were,' says Mr Fairclough. 'But there are things that could have prevented damage that you just don't think of. One of the most important things, I think, is to think carefully before opting for open plan offices and have a clear desk policy – otherwise you might as well have petrol cans lying around.'

Mercantile itself is now much more conscious of its safety procedures. 'I keep things dotted all over the place now,' says Mr Fairclough. 'I bet a few auditors will raise their eyebrows at us storing disks at home, but it's better than losing everything, isn't it?' □